

## Singapore

**HOLD** (no change)

Consensus ratings\*: Buy 24 Hold 14 Sell 1

Current price:	US\$41.87
Target price:	US\$46.00 ▲
Previous target:	US\$42.00
Up/downside:	9.9%
CGS-CIMB / Consensus:	-10.5%
Reuters:	SE.N
Bloomberg:	SE US
Market cap:	US\$23,730m
Average daily turnover:	US\$314.0m
Current shares o/s:	578.4m
Free float:	37.8%

\*Source: Bloomberg

**Key changes in this note**

- We now assume GAAP net profit for FY23-24F (from net losses previously), due to narrower e-commerce loss assumptions.



Source: Bloomberg

Price performance	1M	3M	12M
Absolute (%)	10.4	-6.5	-40.6
Relative (%)	5	-20	-60.5

**Major shareholders**

	% held
Forrest Li Xiaodong	25.4
Tencent	25.6
Gang Ye	6.7

**Analyst(s)**

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# SEA Ltd

## Improved GMV growth momentum in 4Q23F

- We believe Shopee's reinvestment drive bore fruit in 4Q23F with improved GMV growth momentum (+28% yoy) while its rate of cash burn eased.
- We see early signs of e-commerce competition in ASEAN normalising but will continue to follow developments post the TikTok Shop-Tokopedia merger.
- Reiterate Hold in view of Shopee's FY24F earnings risks given the uncertainties in the Indonesia e-commerce space.

### 4Q23F: Strong e-commerce GMV growth; losses narrowed

With Shopee's strategic pivot to reinvigorate its topline growth since 3Q23, coupled with growing traction of its live-commerce initiatives, we believe its gross merchandise value (GMV) rose 15% qoq and 28% yoy to US\$23.1bn in 4Q23F. Meanwhile, we expect narrower cash burn for Shopee qoq, helped by improved economies of scale for its live-commerce business and temporary absence of TikTok Shop in Indonesia in 4Q23. Overall, we estimate SE recorded 4Q23F GAAP revenue of US\$3.55bn (+7% qoq, +3% yoy) and adjusted EBITDA of US\$58m (3Q23: US\$35m; 4Q22: US\$496m), vs. Bloomberg consensus forecasts of US\$3.50bn GAAP revenue and US\$90m adjusted EBITDA.

### Rapidly evolving competitive landscape remains top of mind

We see early signs of a normalising competitive landscape for the ASEAN e-commerce industry amid 1) Lazada's recent mass layoffs (c.30% of employees), suggesting a strategic pivot; 2) TikTok Shop turning less aggressive in promotions and raising its monetisation in recent months, and 3) Temu pausing market expansion in the region, which could bode well for Shopee and allow a faster pace of narrowing losses for its e-commerce segment (base case: 1H25F). How competitive dynamics evolve in the Southeast Asia e-commerce industry in CY24F remains top of mind for investors, we believe, especially given the completion of merger between TikTok Shop Indonesia and Tokopedia in Jan 2024. Rather than adopt an aggressive stance, such as its strong marketing investment to drive market share gain in 2H23, we believe Shopee will in FY24F shift towards a more nimble approach in a bid to narrow its cash burn while protecting its market share.

### Reiterate Hold with higher TP of US\$46

Reiterate Hold on SE in view of Shopee's earnings uncertainty in FY24F amid a rapidly evolving competitive landscape for ASEAN e-commerce. Valuations look undemanding to us (current share price implies 0.5x FY25F P/S for Shopee vs. median global e-commerce peers' 2.2x). However, we believe its share price could stay volatile and be newsflow-driven in the next three months as investors look out for how the Southeast Asian e-commerce competitive landscape evolves with TikTok Shop recently having completed its merger with Tokopedia in Indonesia. Our SOP-based TP rises to US\$46 as we roll over our valuation base year to FY25F. Upside risks include strong Shopee topline growth as SE ramps up reinvestment efforts, and strong Fintech traction outside of Indonesia. Downside risks include prolonged Shopee losses on intense market competition.

Financial Summary	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue (US\$m)	9,955	12,450	12,997	14,663	16,522
Operating EBITDA (US\$m)	(1,304)	(1,488)	569	611	1,702
Net Profit (US\$m)	(2,047)	(1,651)	84	15	927
Core EPADS (US\$)	(3.95)	(3.27)	0.14	0.03	1.54
Core EPS Growth	13%	(14%)		(82%)	5915%
FD Core P/E (x)	NA	NA	291	1,641	27
Normalised EPADS (US\$)	(3.95)	(3.27)	0.14	0.03	1.54
DPADS (US\$)	-	-	-	-	-
Dividend Yield	0%	0%	0%	0%	0%
EV/EBITDA (x)	NA	NA	32.46	30.54	10.44
P/FCFE (x)	NA	NA	83.06	85.53	18.20
Net Gearing	(110%)	(87%)	(80%)	(76%)	(76%)
P/BV (x)	3.13	4.24	3.75	3.42	2.81
ROE	(38.0%)	(28.2%)	1.4%	0.2%	11.3%
% Change In Core EPADS Estimates			178%	104%	3%
EPADS/Consensus EPADS (x)			0.32	0.03	0.84

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Improved GMV growth momentum in 4Q23F 4Q24F preview

SE will be reporting its 4Q23F results in early March. We forecast SE to report GAAP revenue of US\$3.55bn for 4Q23F (+7% qoq, +3% yoy), mainly on acceleration in its e-commerce revenue growth with 4Q being a seasonally stronger quarter, partially offset by elevated levels of consumer incentives (in a bid by SE to drive GMV growth), which are recorded as negative revenue. We also factored in some negative impact from forex translation, given the continued appreciation of the US dollar against Southeast Asian currencies during the period.

We forecast SE to report slightly improved adjusted EBITDA performance on a qoq basis in 4Q23F on narrowing adjusted EBITDA losses for e-commerce while profits generated from its gaming and digital financial services segments remain largely stable.

We believe the key highlight for 4Q23F will be the reacceleration of GMV growth for Shopee, while its segment losses narrow.

Figure 1: SEA Ltd's 4Q23F results preview

Year End 31 Dec	4Q21	1Q22	2Q22	3Q22	4Q22	1Q23	2Q23	3Q23	4Q23F	qoq (%)	yoy (%)
<b>Adjusted revenue (US\$m)</b>											
Digital Entertainment (Bookings)	1,082	826	717	665	544	462	443	448	456	2%	-16%
Ecommerce	1,595	1,516	1,749	1,920	2,103	2,067	2,111	2,232	2,497	12%	19%
Digital financial services	198	236	279	327	380	413	428	446	466	4%	23%
Others	14	12	14	16	20	22	28	40	41	3%	107%
<b>Total adjusted revenue</b>	<b>2,889</b>	<b>2,591</b>	<b>2,760</b>	<b>2,928</b>	<b>3,046</b>	<b>2,964</b>	<b>3,009</b>	<b>3,166</b>	<b>3,460</b>	<b>9%</b>	<b>14%</b>
Change in deferred revenue for DE	333	309	183	228	405	77	86	144	90	-38%	-78%
<b>GAAP revenue</b>	<b>3,222</b>	<b>2,900</b>	<b>2,943</b>	<b>3,156</b>	<b>3,452</b>	<b>3,041</b>	<b>3,096</b>	<b>3,310</b>	<b>3,550</b>	<b>7%</b>	<b>3%</b>
<b>Adjusted EBITDA (US\$m)</b>											
Digital Entertainment (Bookings)	603	431	334	290	258	230	239	234	228	-3%	-12%
Ecommerce	(878)	(743)	(648)	(496)	196	208	150	(346)	(326)	-6%	-266%
Digital financial services	(150)	(125)	(112)	(68)	76	99	137	166	170	2%	125%
Others	(67)	(74)	(80)	(84)	(34)	(30)	(17)	(18)	(13)	-25%	-61%
<b>Total adjusted EBITDA*</b>	<b>(492)</b>	<b>(510)</b>	<b>(506)</b>	<b>(358)</b>	<b>496</b>	<b>507</b>	<b>510</b>	<b>35</b>	<b>58</b>	<b>64%</b>	<b>-88%</b>
<b>Adjusted EBITDA margin (%)</b>											
Digital Entertainment (Bookings)	55.7%	52.2%	46.5%	43.6%	47.5%	49.8%	54.0%	52.2%	50.0%	-2.2% pts	2.5% pts
Ecommerce	-55.0%	-49.0%	-37.1%	-25.8%	9.3%	10.0%	7.1%	-15.5%	-13.1%	2.5% pts	-22.4% pts
Digital financial services	-75.8%	-52.9%	-40.0%	-20.7%	19.9%	24.0%	32.0%	37.1%	36.4%	-0.7% pts	16.5% pts
Others	-464.3%	-613.3%	-574.1%	-522.3%	-173.2%	-137.4%	-60.3%	-45.1%	-32.5%	12.5% pts	140.7% pts
<b>Total adjusted EBITDA*</b>	<b>-17.0%</b>	<b>-19.7%</b>	<b>-18.3%</b>	<b>-12.2%</b>	<b>16.3%</b>	<b>17.1%</b>	<b>16.9%</b>	<b>1.1%</b>	<b>1.7%</b>	<b>0.6% pts</b>	<b>-14.6% pts</b>
<b>Operating metrics</b>											
<b>Digital Entertainment</b>											
Quarterly active users (m)	654	616	619	568	486	492	545	544	547	0%	13%
Quarterly paying users (m)	77	61	56	52	44	38	43	41	41	1%	-6%
Pay ratio (%)	11.8%	10.0%	9.1%	9.1%	9.0%	7.6%	7.9%	7.4%	7.5%	0.1% pts	-1.5% pts
ARPU (US\$)	1.7	1.3	1.2	1.2	1.1	0.9	0.8	0.8	0.8	1%	-26%
ARPPU (US\$)	14.0	13.5	12.8	12.9	12.5	12.3	10.3	11.1	11.1	0%	-11%
<b>Ecommerce</b>											
Gross Merchandise Value (US\$m)	18,200	17,400	19,162	19,102	18,000	17,300	18,054	20,076	23,085	15.0%	28.3%
Gross orders (m)	1,964	1,884	1,983	1,973	1,730	1,635	1,807	2,234	2,430	8.8%	40.5%
Marketplace take rate (%)*	7.1%	7.3%	7.8%	8.7%	10.3%	10.7%	10.5%	9.8%	9.8%	0.0% pts	-0.5% pts

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

## E-commerce, under Shopee >

We expect Shopee to show further GMV reacceleration in 4Q23F – we forecast GMV to come in at US\$23.1bn (+15% qoq, +28% yoy) amid elevated investments in a bid to gain market share (mainly via increased free shipping subsidies and promotions to drive the adoption of Shopee Live), as well as major online shopping festivals during the quarter.

Despite this, we estimate Shopee was able to narrow its EBITDA losses slightly to US\$326m (-6% qoq) in 4Q23F on 1) improving unit economics especially for Shopee's live-commerce operations, and 2) controlled marketing spend despite more shopping festivals in 4Q23F. We think this was also partially attributable to the temporary absence of TikTok Shop in Indonesia during the quarter, which allowed Shopee to benefit from a more benign competitive landscape in the country.

We continue to expect Shopee's marketing spending to be more front-loaded and broad-based in 2H23F, and that this spending should gradually taper and turn more targeted in FY24F.

## Gaming, under Garena >

We forecast US\$456m bookings for 4Q23F (+2% qoq, -16% yoy) and adjusted EBITDA of US\$228m, representing 50% adjusted EBITDA margin during the quarter (vs. 52.2% in 3Q23 or 47.5% in 4Q22).

We expect a slight qoq increase in bookings in 4Q23F riding on seasonal strength (year-end holidays), but our lower adjusted EBITDA margin assumptions for 4Q23F are mainly to reflect seasonally higher marketing spend due to 1) major esports event it organised for its popular mobile battle royale game Free Fire (Free Fire World Series in Nov 2023), and 2) marketing activities tied to the global launch of new mobile RPG game Black Clover M (developed by Vic Game Studios; Garena has a global publishing mandate).

We note that the initial traction of Black Clover M is positive, with the game having captured the no.1 spot for most downloaded game in Nov 2023 globally, according to market intelligence website data.ai. That said, we think it is still early days for the game and would continue to observe its traction in the coming months to better gauge the game's ability to retain and monetise its user base.

Meanwhile, we note that Free Fire's relaunch in India remains delayed. Free Fire's return to India was previously scheduled for 5 Sep 2023, but Garena has since cited that it requires more time to localise the game to better cater to the market. To recap, Free Fire was suspended from India's iOS and Google app stores since Feb 2022, although Free Fire Max (enhanced version of Free Fire with more advanced graphics) has remained available for download on Google Play. We estimate that the India market used to contribute c.10% of Free Fire's monthly active users (MAU) prior to the game's ban in Feb 2022 — additional bookings contribution from the market should help further stabilise Free Fire's user metrics and aid Garena segment back towards growth in FY24F, in our view.

## Fintech >

We forecast US\$466m segment revenue for SE's Digital Financial Services segment in 4Q23F (+4% qoq, +23% yoy), driven by increased monetisation of its service offerings (particularly its credit business). We also expect corresponding 4Q23F EBITDA improvement for the segment to US\$170m (+2% qoq), on improved cost optimisation and better credit underwriting capabilities. We think

the fintech segment could see some margin pressure with higher marketing spend in 4Q23F for newly launched digital bank/credit products.

While we expect SE's on-balance sheet loan receivables to remain relatively stable at c.US\$2bn as of end-4Q23F, we believe SE's credit business loan book continued to grow during the quarter as it continues to tap on off-balance sheet sources (channeling arrangements with third-party financial institutions) for funding. Aside from its buy-now, pay later (BNPL) offering, we also see its buyer cash loan offering gaining good traction among Shopee ecosystem customers in 4Q23F.

Key things to look out for:

- 1) Latest developments in the e-commerce competitive landscape, especially in Indonesia post TikTok Shop and Tokopedia's merger (completed in Jan 2024).
- 2) Shopee's growth strategy for FY24F and when it would potentially ease its current elevated levels of marketing intensity.
- 3) Potential shifts in consumer behaviour in view of the rapidly changing macro environment in Southeast Asia.
- 4) More disclosures on SE's digital financial services segment, especially its new initiatives, including its credit business and digital banks' growth.
- 5) Game pipeline for Garena, signs of stabilisation in Free Fire's engagement trends, timeline for Free Fire India relaunch, and more commentary around new games' performance.

## Outlook for FY24F

### E-commerce >

We forecast Shopee to record GMV growth of 18% to US\$90.4bn in FY24F. Compared to 2H23 where Shopee embarked on an aggressive drive to gain market share, we believe Shopee will in FY24F shift to take a more flexible approach, with its key focus on protecting its current market share.

Our base case is that the current competitive environment in Southeast Asia will not worsen further (further discussion on the next page) in CY24F. We believe Shopee's cash burn had peaked in 3Q23, and Shopee has room to gradually narrow its EBITDA loss ratio in the coming quarters as it continues to improve the unit economics of its live-commerce business. We currently forecast FY24F adjusted EBITDA loss of US\$602m for Shopee (2H23F: US\$673m adjusted EBITDA loss).

### Gaming >

We expect FY24F to be a year of stability for Garena and forecast 5% yoy bookings growth. We think Garena's quarterly bookings have seen an inflection point with 3Q23 marking the first qoq growth after seven consecutive quarters of decline. Garena continues to see opportunity in cultivating growth for Free Fire; we see upside from 1) Free Fire relaunch in India and 2) contribution from new games including Black Clover M.

We expect adjusted EBITDA for SE's gaming segment to grow 2% yoy to US\$946m, implying an adjusted EBITDA margin of 50% (FY23: 51.5%). Our slightly lowered yoy EBITDA expectations reflect 1) potential higher spend to grow exposure for new games, and 2) a change in revenue mix towards lower-margin game publishing business.

### Fintech >

We expect FY24F to be another year of stable growth for Sea Ltd's digital financial services segment and forecast 19% yoy revenue growth, riding on 1) widened range of Sea Ltd's fintech offerings, 2) and growing adoption of fintech solutions among its ecosystem users.

We see room for further uplift in the fintech segment's adjusted EBITDA margin, and forecast FY24F segment adjusted EBITDA growth of 37% yoy, on the back of improved cost optimisation and better credit underwriting capabilities.

## E-commerce competitive landscape

We believe how competitive dynamics might evolve in the Southeast Asia e-commerce industry in CY24F remains top of mind among investors. We note that key discussions among investors in recent months included:

- 1) Whether new entrants (TikTok Shop and Temu) will increase/maintain/reduce their market investments in Southeast Asia in CY24F;
- 2) What the key priorities of TikTok Shop in Indonesia would be, post completion of its business combination with Tokopedia in Jan 2024;
- 3) How Lazada's strategic focus has shifted, with its recent mass layoff (impacting c.30% of headcount) in Jan 2024;
- 4) How quickly Shopee could return to profitability, and how we should think about structural margins of e-commerce in Southeast Asia.

## TikTok Shop (Unlisted) and Tokopedia (GOTO IJ, Not Rated) merger – the biggest unknown for 2024F >

On 11 Dec 2023, TikTok Shop announced that it has entered into a strategic partnership with Tokopedia to combine both their e-commerce units (the transaction was later completed on 31 Jan 2024). This strategic partnership marks a return of TikTok Shop to Indonesia two months after it temporarily ceased its e-commerce operations on 5 Oct 2023 to comply with the new e-commerce regulations (which prohibited social commerce companies from facilitating payment transactions on their platform).

TikTok has committed to investing over US\$1.5bn in the enlarged entity, while also providing any future funding required by the business, in return for a 75.01% stake in the combined entity (GoTo to hold the remaining 24.99% stake). We note that the combined entity would become the e-commerce market leader in Indonesia, commanding a c.40% market share by GMV (as of 2022, estimated by Momentum Works), while Shopee would be relegated to no.2 with a 36% market share.

Since TikTok Shop resumed operations in Dec 2023, we note that it continued to operate largely in its original form (shopping cart checkout function remains integrated within TikTok social media app, similar to before it paused operations in Oct 2023), though there are some cosmetic changes (user interface design, addition of pop-up signage showing "facilitated by Tokopedia"). It remains unclear whether there will be further changes to such arrangements, given that Tiktok Shop is still operating within the trial period (ending Apr 2024) given by the Ministry of Trade.

We continue to monitor TikTok Shop's developments to understand its strategic priorities in FY24F (market share grab vs. monetisation), especially in Indonesia.

Our base case is that TikTok Shop's market investments will rationalise slightly in CY24F. Outside of Indonesia, our channel checks found that TikTok Shop has turned less aggressive in promotion compared with last year. We note that throughout 2023, TikTok Shop has rapidly introduced and later further raised its marketplace commission rates across Southeast Asian countries. We also note that TikTok's parent company, ByteDance, has decided to restructure its gaming business in Nov 2023, suggesting that resource allocation within the organisation is ultimately ROI-driven.

## **Lazada (9988 HK, Add, TP: HK\$175, CP: HK\$71) – Mass layoffs in Jan 2024 suggests strategic pivot ▶**

According to news media Tech in Asia, Lazada carried out layoffs which impacted c.30% of its staff across different markets in Southeast Asia in Jan 2024. Employees across departments and job grades were impacted – another news media The Edge reported that top executives, including Lazada’s chief marketing officers in all countries, as well as its chief executive officer and chief logistics officer in Malaysia, were let go. We believe this suggests that another leadership reshuffle is on the cards, and decision making has become more centralised with more reporting to Singapore and China teams.

While we think the layoff exercise by Lazada was not surprising (given that Shopee has carried out various rounds of headcount reduction as early as 2022, while Lazada has not), we were surprised by the extent of job cuts. We believe this exercise reflects a change in strategy by Lazada – instead of continued investments in an attempt to regain market share leadership in Southeast Asia, we think Lazada will now focus more on reaching profitability and self-sufficiency given the increased competitive pressure in ASEAN with TikTok Shop rapidly gaining market share via its disruptive live-commerce business model.

Based on our channel checks, Lazada has raised its commission fees for the Vietnam market in Jan 2024, while promotional intensity across ASEAN has eased in recent months.

## **Temu (PDD US, Add, TP: US\$135, CP: US\$121) – Southeast Asia entry less aggressive than feared ▶**

We observed that PDD Holding’s cross-border e-commerce platform Temu has taken a pause in geographic expansion in Southeast Asia, after having launched in the Philippines market in Aug 2023 and Malaysian market in Sep 2023.

Interestingly, the pause in geographic expansion in Southeast Asia coincided with Indonesia’s revision of e-commerce regulation on 26 Sep 2023 (new rule No. 31/2023), which includes notable changes in cross-border e-commerce restrictions. The revised Indonesia regulation states that cross-border merchants are required to comply with the provisions of laws and regulations governing exports or imports, as well as in the field of information and electronic transactions. A minimum price of US\$100 (based on Freight on Board terms) is applied to traders who sell finished goods directly from overseas to Indonesia, with the exemption of “positive list” categories. Foreign merchants who seek to sell locally are required to fulfil requirements, including: 1) using Indonesian language for description of goods sold, 2) display information on goods’ country of origin, 3) provide certificate or inspection report regarding product data accuracy by an independent institution in the country of origin, and 4) show proof of compliance with Indonesian National Standards or technical requirements locally. At the same time, e-commerce platforms are prohibited from acting as a producer of goods.

Based on our observation over the past six months, we think Temu’s entry into the Southeast Asia market is less aggressive than previously feared.

Capitalising on its vast merchant base from China, Temu mainly sells low value, unbranded offerings across the globe. It typically grants significant perks to consumers upon entry into a new market, including free shipping, major discounts and free returns.

That said, based on our brief channel checks (with recommended products on Temu), we note that prices on Temu are not necessarily cheaper vs. comparable products on Shopee, even with the discounts offered. Furthermore, we believe that Shopee (and other incumbents) have the added advantage of shorter delivery times (due to local sellers on the platform) and ecosystem advantages (loyalty programme, BNPL services, etc.). We also observe that Temu has not carried out much localisation efforts to date — for example, its website for Malaysian market is only being offered in English, and not the local language Bahasa Malaysia, which could limit its addressable population in the country.

We continue to monitor Temu's efforts in localising into the Southeast Asian markets, but for now expect limited impact on incumbent players given Temu's weaker value proposition overall given its higher pricing and limited localisation efforts till date. While we see the possibility of Temu entering into more Southeast Asian markets in the coming months, we think its pace could slow, especially with the biggest market Indonesia now establishing strong barriers to entry with its latest regulatory changes for cross-border e-commerce.



Figure 2: Price comparison of products on Temu vs. Shopee Philippines, as at 5 Feb 2023

**Temu**



3/4 Pcs Jelly Color Rectangle Hair Cla...  
**P44.09** ~~₱376.00~~ 3.9K+ sold  
Almost sold out Just bought



5/10/20/30/40pcs, Multifunctional Clea...  
**P49.99** ~~₱376.00~~ 4.6K+ sold -38%  
Only 9 Left bought 2 min ago  
★★★★★ (1,029)



iPhone Case Advanced Simple Style S...  
**P58.50** ~~₱150.00~~ 6.5K+ sold  
Only 18 Left bought 2 min ago  
★★★★★ (15,667)



Desk Mobile Phone Holder Stand For ...  
**P74.70** ~~₱150.00~~ 100K+ sold  
rated 5 stars 9 min ago  
★★★★★ (32,841)



Suitable For AirPods3 Protective Cas...  
**P56.90** ~~₱200.00~~ 6K+ sold -72%  
Only 11 Left Just added to cart  
★★★★★ (35,967)

**Shopee**



Hair Clips For Women Girls Square Hairpins Fashion Hair...  
**₱13** ~~₱35~~ -71%  
★★★★★ 10K+ sold  
Quezon City, Metro Manila



Hair Clips For Women Girls Square Hairpins Fashion Hair...  
**₱12** ~~₱40~~ -70%  
★★★★★ 8.7K sold  
Valenzuela City, Metro Manila



Someday Hair Clips For Women Girls Square Hairpins Fashion...  
**₱11** ~~₱40~~ -73%  
★★★★★ 10K+ sold  
Valenzuela City, Metro Manila



LARGE SQUARE MATTE HAIR CLAW  
**₱10**  
★★★★★ 16 sold  
Quezon City, Metro Manila



Korea Ins Color Hair Claw Large Square Hair Clamp Clip...  
**₱12** ~~₱12~~ -54%  
★★★★★ 10K+ sold  
Mainland China



High-Density Yellow Cleaning Sponge Wipe Rust...  
**₱12** ~~₱240~~ -95%  
2 sold  
Mainland China



5Pcs Sponge Scourer Multipurpose Cleaning Scrub...  
**₱19** ~~₱22~~ -14%  
★★★★★ 5.5K sold  
Tondo I / II, Metro Manila



5/10Pcs Double-sided Cleaning Dishwashing Sponges...  
**₱16** ~~₱79~~ -80%  
★★★★★ 59 sold  
Plaridel, Bulacan



5Pcs Dishwasher Kitchen Cleaning Sponges/Household...  
**₱29** ~~₱125~~ -80%  
★★★★★ 2.7K sold  
Plaridel, Bulacan



5-25Pcs Grey White Thickened Double-sided Sponge...  
**₱30** ~~₱150~~ -80%  
★★★★★ 14 sold



Charcoal Black Olive Flocked Silicone Phone Case...  
**₱99** ~~₱189~~ -58%  
★★★★★ 10K+ sold  
Mainland China



Silicone Phone Casing Is Suitable For Iphone15Pro Max...  
**₱39** ~~₱149~~ -77%  
★★★★★ 46 sold  
Mainland China



Case Compatible For iPhone 14 Pro max iPhone Case Silicone...  
**₱39** ~~₱140~~ -72%  
★★★★★ 338 sold  
Mainland China



Silicone Cover Liquid Candy Color Phone Case For Iphone...  
**₱48** ~~₱218~~ -78%  
★★★★★ 472 sold  
San Miguel, Metro Manila



With LOGO Premium liquid silicone shockproof case for...  
**₱80** ~~₱100~~ -20%  
★★★★★ 11 sold  
Binondo, Metro Manila



TTC#Universal Cellphone Holder Foldable Desk Phone...  
**₱28** ~~₱120~~ -77%  
★★★★★ 10K+ sold  
Binondo, Metro Manila



Portable Phone Stand Foldable Desk Phone Holder Adjustable  
**₱35** ~~₱70~~ -50%  
★★★★★ 732 sold  
Tondo I / II, Metro Manila



K3 Universal Cellphone holder Foldable Desk Phone stand...  
**₱23**  
★★★★★ 9K sold  
San Miguel, Metro Manila



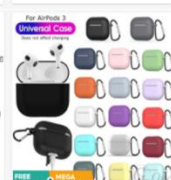
Universal Cellphone Holder Foldable Desk Phone Stand...  
**₱24** ~~₱250~~ -90%  
★★★★★ 10K+ sold  
Quiapo, Metro Manila



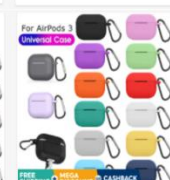
EasonShop Universal Cellphone Cover Foldable Desk Phone...  
**₱25** ~~₱90~~ -74%  
★★★★★ 10K+ sold  
San Nicolas, Metro Manila



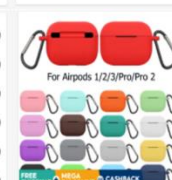
Shockproof soft silicone protection For Apple AirPods Pro Case  
**₱25** ~~₱500~~ -95%  
★★★★★ 10K+ sold  
Silang, Cavite



Protective Case For Apple AirPods 3 Macaron Soft...  
**₱39** ~~₱125~~ -69%  
★★★★★ 3.9K sold  
Silang, Cavite



For AirPods 3 2 1 Pro Case Silicone headphones Protectiv...  
**₱29** ~~₱98~~ -70%  
★★★★★ 1.5K sold  
Silang, Cavite



For AirPods 1 2 3 Pro 2 Case silicone shell shockproof...  
**₱29** ~~₱123~~ -76%  
★★★★★ 140 sold  
Silang, Cavite



For AirPods 3 Case Silicone Cover Full Protection with Hoo...  
**₱39** ~~₱500~~ -92%  
★★★★★ 1.8K sold  
Silang, Cavite

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

Figure 3: Price comparison of products on Temu vs. Shopee Malaysia, as at 5 Feb 2023

### Temu



Special sale 02:00:33:32  
Square Liquid Silicone Phone Case Fo...  
RM9.00 ~~RM9.99~~ 22k+ sold (-43%)  
Only 2 Left bought 1 min ago  
★★★★★ (8,789)



SPCS Kitchen Cleaning Sponge - Anti-...  
RM3.60 ~~RM9.99~~ 32 sold (-47%)  
Only 2 Left  
★★★★★ (888)

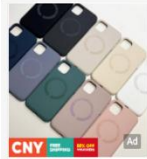


Desk Mobile Phone Holder Stand For ...  
RM7.20 ~~RM9.99~~ 43k+ sold (-48%)  
rated 5 stars 11 min ago  
★★★★★ (9,068)



Special sale 04:00:30:53  
Color Silicone Cover Case For Airpod...  
RM7.88 ~~RM11.49~~ 91k+ sold (-31%)  
Almost sold out just bought  
★★★★★ (35,968)

### Shopee



Magnetic Silicone Case Compatible for iPhone 15 Pro...  
3-5 Feb Only RM 8.90  
RM8.90 RM19.00 -53%  
★★★★★ 129 sold  
Melaka



INS Color Liquid Silicone Phone Case Compatible for iPhone 15...  
3-5 Feb Only RM 9.23  
RM8.79 RM17.58 -53%  
★★★★★ 517 sold  
Mainland China



Casing iPhone 15 Pro Max Soft Liquid Silicone Phone Case...  
CDD | Economy Delivery  
RM8.49 RM27.50 -69%  
★★★★★ 11 sold  
Mainland China



Black currant silicone soft case Sunbird iPhone 11 12 13 14 15...  
3-5 Feb Only RM 8.79  
RM8.79 RM26.91 -67%  
★★★★★ 953 sold  
Mainland China



(High quality) Compatible for iPhone 15/14/13/12/11/Pro...  
CDD | Economy Delivery  
RM7.99 RM10.99 -27%  
★★★★★ 41 sold  
Mainland China



[Ready Stock] SPCS High Density HEAVY DUTY Sponge...  
CDD | Fast Shipper  
RM3.66 RM7.99 -54%  
★★★★★ 226 sold  
Selangor



5PC/Set Double-Sided Sponge Scrub Pot To Wash Dishes...  
20% off | Economy Delivery  
RM2.85 RM3.24 -79%  
★★★★★ 52 sold  
Mainland China



GOOD LLAMA SPCS 3 Layer Thickened Dishwash Sponge...  
CDD | Economy Delivery  
RM3.65 RM20.00 -82%  
★★★★★ 354 sold  
Selangor



(5pc) Kitchen Dish Towel Cleaning Sponge Brush Tool...  
CDD | Fast Shipper  
RM3.50  
★★★★★ 57 sold  
Selangor



5PC/Set Double-Sided Sponge Scrub Pot Wash Dishes Wipe...  
CDD | Fast Shipper  
RM2.71 RM11.83 -77%  
★★★★★ 120 sold  
Mainland China



GL Mobile Phone Stand Holder Desktop Lazy Live Show Lifter...  
CDD | Fast Shipper  
RM2.78 RM4.38 -37%  
★★★★★ 95 sold  
Selangor



FOLDING Desktop Free Hand 45 Adjustable Bracket Mount...  
CDD | Fast Shipper  
RM2.40 RM19.50 -88%  
★★★★★ 4.1k sold  
Perak



[Hot] Smart Phone Holder Universal Desktop Phone Dock...  
3-5 Feb Only RM 1.76  
RM1.76 RM6.50 -79%  
★★★★★ 3.6k sold  
Selangor



Phone Stand Holder Foldable Extendable Desktop Phone...  
3-5 Feb Only RM 2.40  
RM2.40 RM12.90 -84%  
★★★★★ 8.4k sold  
Penang



UPGRADE METAL PHONE HOLDER  
3-5 Feb Only RM 3.30  
RM3.30 RM5.90 -44%  
★★★★★ 28.7k sold  
Selangor



Airpods Pro 1 2 3 High Quality Liquid Silicone Protection Cas...  
CDD | Fast Shipper  
RM5.90 RM29.00 -80%  
★★★★★ 120 sold  
Johor



Backbone SILICONE CASE WITH HOOK  
Airpods Pro Case & Pro 2 Earphone Case Silicone Shock...  
CDD | Fast Shipper  
RM3.66 RM11.80 -69%  
★★★★★ 10.1k sold  
Selangor



Soft Liquid Silicone Case For AirPods 3  
Liquid Silicone Protective Case For Apple AirPods Pro 1 2 Soft...  
CDD | Economy Delivery  
RM4.39 RM21.91 -80%  
★★★★★ 39 sold  
Mainland China



Preferred of soft silicone protection  
For Apple AirPods Pro Case For AirPods 3 2021 case  
Casing AirPods Pro Pro 2 Case Cover Silicone Shockproof...  
3-5 Feb Only RM 4.90  
RM4.90 RM7.80 -37%  
★★★★★ 1.7k sold  
W.P. Kuala Lumpur



Airpods 3  
Compatible for airpods 3 Pro case solid color anti-drop...  
CDD | Economy Delivery  
RM6.05 RM12.10 -50%  
★★★★★ 185 sold  
Mainland China

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## E-commerce merchant commission rate

Since Oct 2023, we observed multiple changes in sellers commission rates across both e-commerce incumbents (Shopee, Lazada), as well as disruptor TikTok Shop.

- Shopee raised its Shopee mall and marketplace commission rates across Indonesia, Singapore, Vietnam, Thailand and Taiwan markets in Oct 2023. We observe that Lazada only carried out commission rate changes in Vietnam over the same period. Based on our commission rate comparison below, we believe there is room for Lazada to adjust seller fees in the coming months, following the lead of Shopee.
- TikTok Shop, having recently introduced marketplace commission fees in various Southeast Asian countries in 2023, continued to make adjustments to its fees over the past few months. We observed that TikTok Shop raised commission rates in both Singapore and the Philippines markets in Jan 2024. TikTok Shop also made adjustments to its payment fees across Indonesia and Malaysia in Oct 2023. This puts TikTok's base commission fee just at a slight discount to Shopee's for most of the Southeast Asian markets.

**Figure 4: Base commission fees of Shopee vs. key competitors across markets, as of 1 Feb 2024**

	B2C marketplace base commission fee		C2C marketplace base commission fee	
	Shopee Mall	Tokopedia (Indo); LazMall for other countries	Shopee Marketplace	Tokopedia (Indo); Lazada Marketplace for other countries
Indonesia	· 2.5-8.5% admin fee	· 1.0-6.5% commission rate	· 4.0-6.5% admin fee for star sellers; 3.5-6.0% admin fee for non-star sellers	· Regular Merchant: 1.0-3.8% · Power Merchant: 1.8-4.5% · Power Merchant Pro: 1.8-4.5%
Malaysia	· 2-9% commission (SST applicable)	· 2-9% commission (SST applicable)	· 0-4% for sellers who have completed more than 100 orders since date of joining (subject to SST)	· 0-4% commission rate (SST applicable) for sellers who joined Lazada for more than 90 days
Philippines	· 3.36-6.72% commission (VAT inclusive)	· 3-7% commission (VAT-inclusive)	· 3.5-5% depending on categories (VAT inclusive)	· 1-5% commission (VAT-inclusive)
Singapore	· 3.27-5.45% commission (GST inclusive) for sellers on coins cashback or free shipping special program · 4.91-7.09% commission (GST inclusive) for all other sellers	· 3-5% commission (GST applicable)	· 2.18% commission (GST inclusive) for sellers on coins cashback or free shipping special program · 3.82% commission (GST inclusive) for all other sellers	· 2% commission (GST applicable)
Vietnam	· 2-8% commission (VAT applicable)	· 0-7.87% (VAT included)	· Flat fee of 4% (including VAT)	· 4% commission (VAT included)
Thailand	· 5-7% commission (VAT applicable)	· 5-7% commission (VAT applicable)	· 4-5% commission price (VAT applicable)	· 3-5% commission (VAT applicable)

\*B2C refers to business-to-consumer  
\*C2C refers to customer-to-customer

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 5: Shopee's seller fees, as at 1 Feb 2024**

	Shopee Mall commission	Shopee Marketplace commission	Service fee	Payment handling fee	Last changed fee date
Indonesia	· 2.5-8.5% admin fee	· 4.0-6.5% admin fee for star sellers; 3.5-6.0% admin fee for non-star sellers	· 4% for free shipping programme · 1.4% for cashback programme	· 1.8% payment handling fee charged to Shopee Mall sellers	· <b>Mall and marketplace commission last revised 28 Dec 2023</b> · <b>Shopee Mall seller payment fee last updated 1 Mar 2022</b> · <b>Free shipping fees last adjusted 1 Sep 2022</b>
Malaysia	· 2-9% commission (SST applicable)	· 0-4% for sellers who have completed more than 100 orders since date of joining (subject to SST)	· 5.3% for free shipping programme (SST inclusive) · 3.18% for cashback programme (SST inclusive)	· 2.12% transaction fee (after SST)	· Mall commission fees adjusted on 5 Apr 2023 · Marketplace commission fee raised on 10 Feb 2023 · Free shipping fees adjusted on 19 Jan 2022
Philippines	· 3.36-6.72% commission (VAT inclusive)	· 3.5-5% depending on categories (VAT inclusive)	· 5.6% for free shipping programme · 3.36% for cashback programme	· 2.24% transaction fee (VAT-inclusive)	· Mall and marketplace commission fees raised on 1 Jan 2023 · Service fees and transaction fees revised on 1 Sep 2022
Singapore	· 3.27-5.45% commission (GST inclusive) for sellers on coins cashback or free shipping special program · 4.91-7.09% commission (GST inclusive) for all other sellers	· 2.18% commission (GST inclusive) for sellers on coins cashback or free shipping special program · 3.82% commission (GST inclusive) for all other sellers	· 2.18% for free shipping programme (GST inclusive) · 3.27-5.45% for cashback programme (GST inclusive) · 1% discount for sellers on both free shipping and cashback programme	· 2% payment fee · 2-5% for SPayLater depending on buyer's repayment period (subject to GST)	· <b>Mall and Marketplace commission fee last adjusted 15 Jan 2024</b> · <b>Coin cashback service fee adjusted on 1 Jun 2023</b>
Taiwan	· 3.5-8.5% depending on product category during non-promotional period · 6.4-11.5% depending on product category during promotion period	· 5.5% for non-promotional period · 7.5% for promotion period	· 5% service fee	· 2% of final payment amount if buyer paid using cash, bank transfer, shopee wallet · 2.5% of final payment amount if buyer paid using credit card and/or pay in instalments	· <b>Raised commission fees for both mall and non-mall sellers starting 1 Feb 2024</b>
Thailand	· 5-7% commission (VAT applicable)	· 4-5% commission price (VAT applicable)	· 5% for free shipping programme · 3-4% for cashback programme · 6-7% for both programmes	· 3% fee if buyer paid using credit/debit card, cash on delivery, ATM, mobile banking or ShopeePay Wallet (excluding VAT) · 3-6% for credit card instalment and Special SPayLater (excluding VAT)	· <b>Shopee Mall commission rate adjusted on 15 Oct 2023</b> · <b>Marketplace commission fees adjusted on 1 Apr 2023</b> · <b>Raised transaction fees on 1 Nov 2021</b>
Vietnam	· 2-8% commission (VAT applicable)	· Flat fee of 4% (including VAT)	· 8-9% for free shipping programme · 5% for cashback programme · 10.5-12.5% for both programmes	· 4% (VAT included)	· <b>Mall commission fee last raised on 2 Jan 2023</b> · <b>Marketplace fee last raised on 1 Jan 2024</b> · <b>Payment fee last raised on 1 Sep 2023</b> · <b>Free shipping fees adjusted 2 Jan 2023</b>
Brazil	None	14% for all sellers	Free shipping: Additional 6%	None	Commission fee raised in Sep 2022

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 6: Tokopedia's seller fees in Indonesia, as of 1 Feb 2024**

	Base commission	Transaction fee	Free shipping programme (opt-in basis)
Official Store	1.0-6.5%	1.8%	2.0-4.0%
Regular Merchant	1.0-3.8%	Rp1,000 charged to buyers	2.0-4.0%
Power Merchant	1.8-4.5%	Rp1,000 charged to buyers	2.0-4.0%
Power Merchant Pro	1.8-4.5%	Rp1,000 charged to buyers	2.0-4.0%

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

**Figure 7: TikTok Shop's seller fees, as of 1 Feb 2024**

	Marketplace commission fee	Transaction fee	Last revision
Indonesia	1.9-4.3% (VAT inclusive)	na	· Marketplace commission adjusted 1 Jun 2023 · Transaction fee adjusted 17 Oct 2023
Malaysia	0-3% (tax applicable)	2.12% (tax inclusive)	· Marketplace commission introduced 1 Sep 2023 · Transaction fee adjusted 17 Oct 2023
Philippines	2.1-3.7% (VAT inclusive)	2.24% (VAT inclusive)	· Marketplace commission introduced 1 Jun 2023 · Transaction fee adjusted 1 Jun 2023 · Commission fee adjusted on 15 Jan 2024
Singapore	2.18% (GST inclusive)	2.18% (GST inclusive)	· Marketplace commission introduced 15 Sep 2023 · Transaction fee adjusted 15 Sep 2023 · Marketplace commission and transaction fee adjusted 1 Jan 2024
Vietnam	2% (tax inclusive)	4% (tax inclusive)	· Marketplace commission introduced 14 Jul 2023 · Transaction fee adjusted 28 Sep 2023
Thailand	4% (tax inclusive)	3% (tax inclusive)	na

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## Valuation and recommendation

We lower our FY23-25F revenue growth assumptions mainly for its digital financial services segment, as we factor in more conservative growth estimates for SE's loan book growth tapping on its own balance sheet.

Meanwhile, we lift our adjusted EBITDA assumptions mainly due to lower loss assumptions for its e-commerce segment. We now assume that Shopee's peak losses will be in 2H23F and that it should see its losses gradually narrow in FY24F as it improves unit economics of its live-commerce initiative.

We now assume Sea Ltd will remain profitable on a GAAP basis in FY24F, vs. our previous expectation of a loss.

**Figure 8: Earnings revisions**

FYE Dec (US\$m)	New			Old			% Change		
	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F	FY23F	FY24F	FY25F
<b>Adjusted revenue</b>	<b>12,599</b>	<b>14,290</b>	<b>16,132</b>	<b>12,411</b>	<b>14,641</b>	<b>17,679</b>	<b>1.5%</b>	<b>-2.4%</b>	<b>-8.7%</b>
Gaming	1,809	1,892	1,975	1,818	2,034	2,288	-0.5%	-7.0%	-13.7%
Ecommerce	8,906	10,131	11,482	8,672	10,009	11,996	2.7%	1.2%	-4.3%
Digital Financial Services	1,753	2,090	2,475	1,791	2,422	3,196	-2.1%	-13.7%	-22.6%
Others	130	177	200	130	176	199	0.2%	0.7%	0.6%
<b>Adjusted EBITDA</b>	<b>1,115</b>	<b>1,074</b>	<b>2,215</b>	<b>956</b>	<b>863</b>	<b>2,418</b>	<b>16.6%</b>	<b>24.4%</b>	<b>-8.4%</b>
Gaming	931	946	987	936	1,017	1,144	-0.5%	-7.0%	-13.7%
Ecommerce	(315)	(602)	318	(469)	(892)	245	-32.8%	-32.4%	29.7%
Digital Financial Services	571	780	953	569	818	1,108	0.5%	-4.6%	-13.9%
Others	(73)	(49)	(43)	(80)	(80)	(78)	-8.7%	-38.4%	-44.7%
<b>Reported GAAP net profit</b>	<b>84</b>	<b>15</b>	<b>927</b>	<b>(107)</b>	<b>(368)</b>	<b>899</b>	<b>-178.0%</b>	<b>-104.1%</b>	<b>3.1%</b>
<b>Non-GAAP net profit</b>	<b>944</b>	<b>787</b>	<b>1,762</b>	<b>752</b>	<b>404</b>	<b>1,734</b>	<b>25.4%</b>	<b>94.7%</b>	<b>1.6%</b>
<b>EPS (US\$)</b>	<b>0.1</b>	<b>0.0</b>	<b>1.5</b>	<b>(0.2)</b>	<b>(0.6)</b>	<b>1.4</b>	<b>-178.0%</b>	<b>-104.1%</b>	<b>3.1%</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

Reiterate Hold as we continue to see near-term earnings risks for FY24F amid the continued intense competitive landscape for e-commerce in Southeast Asia. We believe SE's share price will remain volatile and be newsflow-driven in the next 3-6 months. That said, we think SE's valuation is undemanding, given its current share price implies 0.5x FY25F P/S for Shopee, vs. median global e-commerce peers' 2.2x.

Our SOP-based TP is raised to US\$46 as we roll-forward our valuation base year to 2025F. Our e-commerce valuation is still based on a target multiple of 0.8x FY25F P/S, in line with Alibaba's (market-leader of China e-commerce). We attribute 3.7x FY25F P/S for SE's Digital Financial Services (DFS) segment, while

our target multiple for its gaming segment of 8.0x FY25F P/E remains at a significant discount to global peers (due to SE's reliance on a single game, Free Fire).

Upside risks include 1) stronger topline growth as Shopee's investments to reaccelerate growth bears fruit, 2) Shopee's market share gains in Southeast Asia, especially if Lazada chooses to focus on rapidly scaling its business towards profitability while TikTok sees increasing regulatory scrutiny across the region on its e-commerce venture, or 3) continued strong traction for its digital fintech service launched in markets outside of Indonesia in FY24F.

Downside risks include: 1) weaker-than-expected consumer spend in the region amid macro uncertainties, resulting in slower-than-expected GMV growth for Shopee, and 2) prolonged losses for Shopee as a result of intensifying competition in the Southeast Asia e-commerce industry.

**Figure 9: Sum-of-parts (SOP) valuation for SEA Ltd**

Segment	Basis	Multiple (X)	Base value (US\$m)	Valuation (US\$m)	Per ADR (US\$)	% of SOP	Notes:
Gaming - Garena	FY25F P/E (cash-adjusted)	8.0	775	6,200	9.9	22%	At discount to sector average given reliance on Free Fire
Ecommerce - Shopee	FY25F P/S	0.8	11,482	8,612	13.8	30%	Avg of BABA (-1.5sd), PDD (trough), MELI (-2sd)
Digital financial services - SeaMoney	FY25F P/S	3.7	2,475	9,157	14.7	32%	In line with industry's median multiple
Net cash/(debt)	As of end FY22F		4,753	4,753	7.6		
Total equity value	SOP			28,723			
No. of shares outstanding (m)				624			
<b>Equity value per share (US\$)</b>				<b>46.0</b>			<b>CGS-CIMB's target price</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS



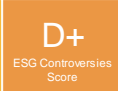
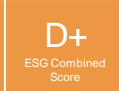



Figure 10: Peer comparison

Ticker	Company name	Recom.	Last Price (lcl curr)	Target Price (US\$ m)	Market Cap (US\$ m)	Enterprise value (US\$ m)	P/Revenue		P/Gross Profit		P/E	
							CY24F	CY25F	CY24F	CY25F	CY24F	CY25F
GRAB US	Grab Holdings Ltd	Add	3.21	4.30	12,532	8,756	4.4	3.7	10.1	8.6	na	55.3
UBER US	Uber Technologies In	NR	68.99	na	141,972	148,184	3.3	2.9	8.2	6.9	47.1	31.2
LYFT US	Lyft Inc	NR	12.59	na	4,948	4,321	1.0	0.9	2.4	2.1	26.6	18.3
3690 HK	Meituan	Add	65.05	276.00	54,573	44,872	1.2	1.0	3.4	2.8	12.9	8.6
DASH US	DoorDash Inc	NR	108.12	na	43,054	39,261	4.3	3.7	8.7	7.3	132.2	75.0
JET LN	Just Eat Takeaway.c	NR	1182.00	na	3,262	3,868	0.6	0.5	1.2	1.1	90.7	46.9
ROO LN	Deliveroo PLC	NR	119.20	na	2,429	1,373	0.9	0.8	2.5	2.2	na	na
DHGR GR	Delivery Hero SE	NR	17.32	na	5,058	8,986	0.4	0.4	1.3	1.1	170.3	34.1
GOTO IJ	GoTo Gojek Tokoper	NR	84.00	na	6,415	4,775	5.5	4.6	7.7	6.1	na	24.3
<b>Average</b>							<b>2.4</b>	<b>2.1</b>	<b>5.0</b>	<b>4.2</b>	<b>80.0</b>	<b>36.7</b>
<b>Median</b>							<b>1.2</b>	<b>1.0</b>	<b>3.4</b>	<b>2.8</b>	<b>68.9</b>	<b>32.6</b>
<b>SE US</b>	<b>Sea Ltd</b>	<b>Hold</b>	<b>41.87</b>	<b>46.00</b>	<b>23,730</b>	<b>22,473</b>	<b>1.6</b>	<b>1.5</b>	<b>3.6</b>	<b>3.1</b>	<b>44.1</b>	<b>20.5</b>
GOTO IJ	GoTo Gojek Tokoper	NR	84.00	na	6,415	4,775	5.5	4.6	7.7	6.1	na	na
BUKA IJ	Bukalapak.com PT T	NR	180.00	na	1,167	(338)	3.3	2.8	8.9	7.1	51.5	26.7
AMZN US	Amazon.com Inc	NR	170.31	na	1,769,075	1,836,851	2.8	2.5	5.8	5.1	34.4	27.6
EBAY US	eBay Inc	NR	41.33	na	21,450	24,948	2.1	2.0	2.9	2.8	9.5	9.0
ETSY US	Etsy Inc	NR	74.82	na	8,959	10,372	3.1	2.9	4.4	4.0	20.0	18.0
SHOP US	Shopify Inc	NR	81.40	na	104,860	101,064	12.5	10.4	24.4	20.3	73.0	53.0
9988 HK	Alibaba Group Holdin	Add	70.65	175.00	193,552	122,236	1.4	1.3	3.7	3.5	8.1	7.1
9618 HK	JD.com Inc	Add	86.05	275.00	36,006	21,440	0.2	0.2	1.5	1.4	7.8	6.7
VIPS US	Vipshop Holdings Ltd	NR	16.02	na	8,680	6,438	0.5	0.5	2.4	2.2	6.8	6.4
PDD US	PDD Holdings Inc	Add	121.14	177.00	160,945	135,857	3.5	2.8	5.7	4.5	16.6	12.6
MELI US	MercadoLibre Inc	NR	1774.75	na	89,731	89,480	5.1	4.2	10.0	8.1	51.9	37.5
8454 TT	momo.com Inc	NR	421.50	na	3,231	3,173	0.8	0.7	8.3	0.7	25.1	21.8
ZAL GR	Zalando SE	NR	18.40	na	5,216	4,945	0.5	0.4	1.2	7.4	21.6	15.2
<b>Average</b>							<b>3.1</b>	<b>2.6</b>	<b>6.5</b>	<b>5.5</b>	<b>28.5</b>	<b>20.2</b>
<b>Median</b>							<b>2.4</b>	<b>2.2</b>	<b>5.1</b>	<b>4.3</b>	<b>21.6</b>	<b>18.0</b>
PYPL US	PayPal Holdings Inc	NR	61.54	na	66,349	66,038	2.1	1.9	4.6	4.3	11.2	10.1
377300 KS	Kakaopay Corp	NR	46800.00	na	4,671	3,787	8.4	7.2	8.4	7.2	133.6	69.6
PAGS US	Pagseguro Digital Ltc	NR	13.18	na	4,338	3,787	1.3	1.2	2.7	2.5	10.9	9.6
SQ US	Block Inc	NR	65.85	na	40,438	38,603	1.6	1.5	4.7	4.0	22.0	16.3
ADYEN NA	Adyen NV	NR	1201.60	na	40,075	33,262	18.5	15.0	20.8	17.3	47.5	36.7
STNE US	StoneCo Ltd	NR	17.62	na	5,537	5,341	2.1	1.9	2.7	2.5	13.8	11.6
AFFR US	Affirm Holdings Inc	NR	41.55	na	12,537	13,610	5.6	4.6	13.0	9.9	na	na
WLN FP	Worldline SA/France	NR	12.20	na	3,710	7,316	0.7	0.7	2.9	2.7	6.2	5.4
QTWO US	Q2 Holdings Inc	NR	40.98	na	2,403	2,658	3.5	3.1	6.5	5.6	34.2	27.0
GPN US	Global Payments Inc	NR	136.09	na	35,436	51,572	3.8	3.6	4.9	4.7	11.7	10.2
MA US	Mastercard Inc	NR	456.76	na	426,614	433,183	15.2	13.5	124.3	81.7	31.8	27.3
V US	Visa Inc	NR	275.58	na	567,968	564,102	15.4	14.0	21.6	18.7	27.0	23.8
WU US	Western Union Co/Tr	NR	12.40	na	4,518	5,689	1.1	1.1	2.9	2.8	7.4	7.1
<b>Average</b>							<b>6.1</b>	<b>5.3</b>	<b>16.9</b>	<b>12.6</b>	<b>29.8</b>	<b>21.2</b>
<b>Median</b>							<b>3.5</b>	<b>3.1</b>	<b>4.9</b>	<b>4.7</b>	<b>17.9</b>	<b>14.0</b>

SOURCES: CGS-CIMB RESEARCH ESTIMATES, COMPANY REPORTS

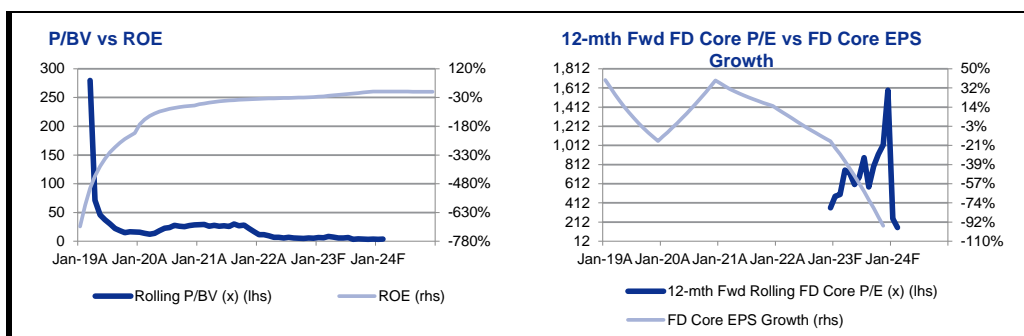
Note: Forecasts for Not Rated (NR) companies are based on Bloomberg consensus estimates

Data as at 6 Feb 2024

Refinitiv ESG Scores	
	
     	
<b>ESG in a nutshell</b>	
<p>SEA Ltd (SE) actively engages in CSR activities and is committed to the UN Sustainable Development Goals (SDGs) in the areas of education, decent work and economic growth, reducing inequalities, health and well-being, and partnerships with international organisations, government-linked bodies and educational institutions. SE maintains a good employee diversity profile with an almost equal gender mix of males and females from over 70 nationalities. Its continued localised approach across markets can help its merchants draw more customers onto its platform to provide more selling opportunities. This, in turn, could raise household income and create employment to narrow the income inequality gap in rural and emerging regions in ASEAN.</p>	
<p><b>Keep your eye on</b></p> <p>SE adopts a hyperlocalisation strategy for its offerings across its three platforms — digital entertainment, e-commerce and digital financial services — which can raise household income and create employment to narrow the income inequality gap, especially in rural and emerging regions in ASEAN.</p>	<p><b>Implications</b></p> <p>We believe SE's hyperlocalisation strategy is key to its success in ASEAN. As more consumers are attracted to SE's ecosystems, existing merchants will be able to derive greater sales revenue, in turn attracting more new merchants onto the platform, thereby expanding product offerings available and increasing user stickiness on SE's platforms. This will drive further monetisation for SE through higher take-rates and stronger average revenue per user (ARPU) and average revenue per paying user (ARPPU), bringing it closer to profitability.</p>
<p><b>ESG highlights</b></p> <p>We believe SE continues to increase its positive impact on employment levels via Shopee, which allows underserved local communities to access e-commerce marketplaces.</p> <p>SE maintains a good diversity profile. Its gender ratio of male to female employees was 56:44 as of end-FY22, and its workforce comprises employees from over 70 nationalities.</p>	<p><b>Implications</b></p> <p>We see further room for improvement as the group grows its platform user base further, in turn driving increasing value for the local communities served. This could elevate SE's ESG profile further, which could attract increased interest from ESG-focused investors, in our view.</p>
<p><b>Trends</b></p> <p>SE has improved its environmental score from D- in 2019 to D+ in 2022. We believe the improvement was largely due to commencement of disclosures on carbon emissions since 2021. Energy intensity rose 43% yoy in FY22, which we believe was attributed to global business expansion.</p>	<p><b>Implications</b></p> <p>We believe the commencement of emissions disclosures is a step in the right direction for SE, as it provides relevant information for stakeholders concerned about the group's carbon footprint. We have not yet factored this into our valuations of SE.</p>

SOURCES: CGS-CIMB RESEARCH, REFINITIV



**BY THE NUMBERS**

**Profit & Loss**

(US\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>Total Net Revenues</b>	<b>10,243</b>	<b>11,860</b>	<b>12,574</b>	<b>13,554</b>	<b>15,493</b>
<b>Gross Profit</b>	<b>4,184</b>	<b>4,596</b>	<b>5,213</b>	<b>4,931</b>	<b>6,332</b>
<b>Operating EBITDA</b>	<b>(1,304)</b>	<b>(1,488)</b>	<b>569</b>	<b>611</b>	<b>1,702</b>
Depreciation And Amortisation	(279)	0	(451)	(506)	(618)
<b>Operating EBIT</b>	<b>(1,583)</b>	<b>(1,488)</b>	<b>118</b>	<b>106</b>	<b>1,084</b>
Financial Income/(Expense)	(103)	70	259	200	200
Pretax Income/(Loss) from Assoc.	5	11	5	8	8
Non-Operating Income/(Expense)	(29)	(283)	(33)	0	0
<b>Profit Before Tax (pre-EI)</b>	<b>(1,710)</b>	<b>(1,689)</b>	<b>349</b>	<b>314</b>	<b>1,292</b>
Exceptional Items	0	200	0	0	0
<b>Pre-tax Profit</b>	<b>(1,710)</b>	<b>(1,489)</b>	<b>349</b>	<b>314</b>	<b>1,292</b>
Taxation	(333)	(168)	(254)	(310)	(377)
Exceptional Income - post-tax					
<b>Profit After Tax</b>	<b>(2,043)</b>	<b>(1,658)</b>	<b>95</b>	<b>3</b>	<b>915</b>
Minority Interests	(4)	6	(11)	12	12
Preferred Dividends					
FX Gain/(Loss) - post tax					
Other Adjustments - post-tax					
<b>Net Profit</b>	<b>(2,047)</b>	<b>(1,651)</b>	<b>84</b>	<b>15</b>	<b>927</b>
Recurring Net Profit	(2,047)	(1,851)	84	15	927
<b>Fully Diluted Recurring Net Profit</b>	<b>(2,047)</b>	<b>(1,851)</b>	<b>84</b>	<b>15</b>	<b>927</b>

**Cash Flow**

(US\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
<b>EBITDA</b>	<b>(1,304)</b>	<b>(1,488)</b>	<b>569</b>	<b>611</b>	<b>1,702</b>
Cash Flow from Inv. & Assoc.	(5)	0	(5)	(8)	(8)
Change In Working Capital	2,601	0	560	394	644
(Incr)/Decr in Total Provisions					
Other Non-Cash (Income)/Expense					
Other Operating Cashflow	(980)	362	459	469	466
Net Interest (Paid)/Received	(103)	70	259	200	200
Tax Paid	0	0	0	0	0
<b>Cashflow From Operations</b>	<b>209</b>	<b>(1,056)</b>	<b>1,843</b>	<b>1,667</b>	<b>3,004</b>
Capex	(500)	(603)	(695)	(802)	(925)
Disposals Of FAs/subsidiaries					
Acq. Of Subsidiaries/investments	(307)	(400)	(479)	(575)	(690)
Other Investing Cashflow	(1,221)	(750)	(375)	0	0
<b>Cash Flow From Investing</b>	<b>(2,028)</b>	<b>(1,752)</b>	<b>(1,550)</b>	<b>(1,377)</b>	<b>(1,615)</b>
Debt Raised/(repaid)	800	0	0	0	0
Proceeds From Issue Of Shares	3,498	0	0	0	0
Shares Repurchased					
Dividends Paid					
Preferred Dividends					
Other Financing Cashflow	0	0	0	0	0
<b>Cash Flow From Financing</b>	<b>4,298</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Total Cash Generated	2,479	(2,808)	293	290	1,389
<b>Free Cashflow To Equity</b>	<b>(1,019)</b>	<b>(2,808)</b>	<b>293</b>	<b>290</b>	<b>1,389</b>
<b>Free Cashflow To Firm</b>	<b>(1,680)</b>	<b>(2,763)</b>	<b>339</b>	<b>350</b>	<b>1,449</b>

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

## BY THE NUMBERS... cont'd

### Balance Sheet

(US\$m)	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Total Cash And Equivalents	11,749	8,461	8,755	9,045	10,434
Total Debtors	1,905	2,336	2,869	2,924	2,985
Inventories	117	110	121	142	151
Total Other Current Assets	1,402	1,799	1,430	1,466	1,652
<b>Total Current Assets</b>	<b>15,174</b>	<b>12,706</b>	<b>13,175</b>	<b>13,577</b>	<b>15,222</b>
Fixed Assets	1,030	1,388	1,587	1,828	2,069
Total Investments	1,053	1,254	1,738	2,321	3,020
Intangible Assets	592	295	341	395	460
Total Other Non-Current Assets	907	1,360	1,360	1,360	1,360
<b>Total Non-current Assets</b>	<b>3,582</b>	<b>4,297</b>	<b>5,025</b>	<b>5,905</b>	<b>6,910</b>
Short-term Debt	100	88	88	88	88
Current Portion of Long-Term Debt					
Total Creditors	214	259	232	272	289
Other Current Liabilities	6,863	6,589	6,977	7,443	8,326
<b>Total Current Liabilities</b>	<b>7,176</b>	<b>6,936</b>	<b>7,297</b>	<b>7,803</b>	<b>8,703</b>
Total Long-term Debt	0	0	0	0	0
Hybrid Debt - Debt Component	3,476	3,339	3,339	3,339	3,339
Total Other Non-Current Liabilities	679	918	918	918	918
<b>Total Non-current Liabilities</b>	<b>4,155</b>	<b>4,256</b>	<b>4,256</b>	<b>4,256</b>	<b>4,256</b>
Total Provisions	0	0	0	0	0
<b>Total Liabilities</b>	<b>11,332</b>	<b>11,192</b>	<b>11,553</b>	<b>12,060</b>	<b>12,960</b>
Shareholders' Equity	7,399	5,716	6,541	7,328	9,090
Minority Interests	26	95	106	94	82
<b>Total Equity</b>	<b>7,424</b>	<b>5,811</b>	<b>6,647</b>	<b>7,422</b>	<b>9,172</b>

### Key Ratios

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Revenue Growth	128%	25%	4%	13%	13%
Operating EBITDA Growth	16%	14%	N/A	7%	178%
Operating EBITDA Margin	(13.1%)	(11.9%)	4.4%	4.2%	10.3%
Net Cash Per ADS (US\$)	14.79	8.70	9.09	9.40	11.49
BVPADS (US\$)	13.39	9.88	11.16	12.26	14.91
Gross Interest Cover	(11.39)	(32.77)	2.57	1.76	18.07
Effective Tax Rate	0.0%	0.0%	72.9%	99.0%	29.2%
Net Dividend Payout Ratio	NA	NA	NA	NA	NA
Accounts Receivables Days	13.77	9.63	9.77	11.35	11.33
Inventory Days	5.47	5.71	5.72	5.58	5.82
Accounts Payables Days	10.10	11.86	12.16	10.69	11.16
ROIC (%)	82%	118%	47%	43%	350%
ROCE (%)	(19.6%)	(15.6%)	3.9%	3.5%	11.5%
Return On Average Assets	(13.4%)	(10.7%)	(2.0%)	(2.1%)	3.2%

### Key Drivers

	Dec-21A	Dec-22A	Dec-23F	Dec-24F	Dec-25F
Gaming QAU (m)	689.3	572.2	531.8	553.7	564.8
Gaming QPU (m)	85.6	53.2	40.6	42.1	43.5
Gaming paying ratio (%)	12.4%	9.3%	7.6%	7.6%	7.7%
GMV (USD m)	62,694.8	73,664.5	78,515.9	92,404.0	103,223.6

SOURCES: CGS-CIMB RESEARCH, COMPANY REPORTS

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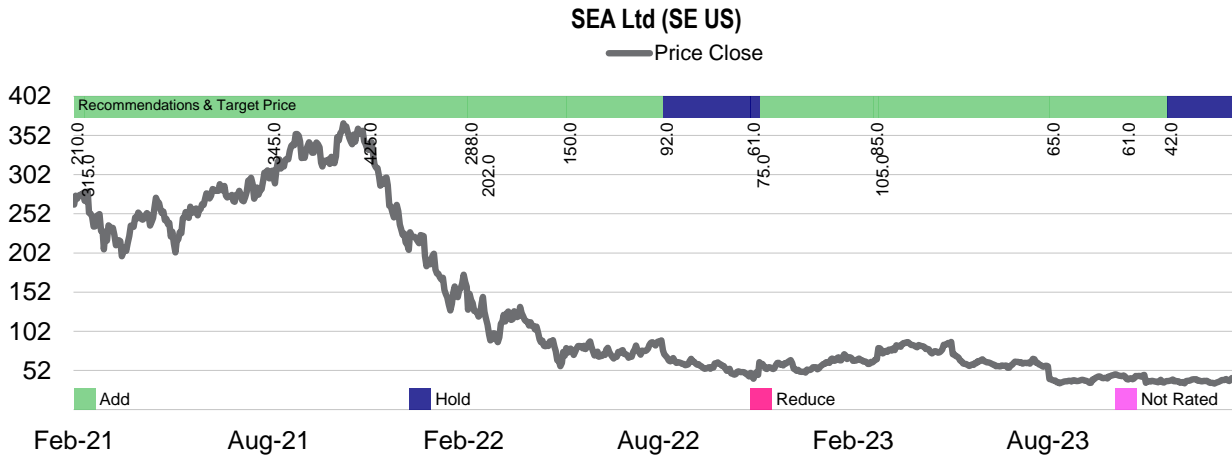
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Distribution of stock ratings and investment banking clients for quarter ended on 31 December 2023		
636 companies under coverage for quarter ended on 31 December 2023		
	Rating Distribution (%)	Investment Banking clients (%)
Add	67.5%	1.3%
Hold	22.5%	0.0%
Reduce	10.1%	0.2%

**Spitzer Chart for stock being researched ( 2 year data )**



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<b>Stock Ratings</b>	Definition:
Add	The stock's total return is expected to exceed 10% over the next 12 months.
Hold	The stock's total return is expected to be between 0% and positive 10% over the next 12 months.
Reduce	The stock's total return is expected to fall below 0% or more over the next 12 months.
<i>The total expected return of a stock is defined as the sum of the: (i) percentage difference between the target price and the current price and (ii) the forward net dividend yields of the stock. Stock price targets have an investment horizon of 12 months.</i>	
<b>Sector Ratings</b>	Definition:
Overweight	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation.
Neutral	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation.
Underweight	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation.
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Overweight	An Overweight rating means investors should be positioned with an above-market weight in this country relative to benchmark.
Neutral	A Neutral rating means investors should be positioned with a neutral weight in this country relative to benchmark.
Underweight	An Underweight rating means investors should be positioned with a below-market weight in this country relative to benchmark.